

Exhibit E

Transcript of Telephone Conversation

Date: April 11, 2007

Time of Call: 5:14:22 p.m. – 5:27:08 p.m.

Transcribed Portion: 5:14:22 p.m. – 5:26:37 p.m.

Participants: Pat Cronin, Murray McIntosh

[Call begins]

Cronin: Pat speaking.

McIntosh: Hey, how are you? It's Murray.

Cronin: Hey, Murray. How are you?

McIntosh: Not bad. Learn anything more today?

Cronin: Uh, well. Not, not really. So, here's kind of where I am right now. The, the book is utterly gigantic.

McIntosh: Mm-hm.

Cronin: Like it's massive.

McIntosh: Yeah.

Cronin: Like, looking at some of the vega numbers sort of for the individual positions . . .

McIntosh: Mm-hm.

Cronin: . . . it's huge.

McIntosh: Yeah.

Cronin: Uh, and so I— sure when you net, net it down that number may net down to something small . . .

McIntosh: Mm-hm

Cronin: . . . but they don't net from a real perspective.

McIntosh: No, I mean, it's a, it, uh, doesn't net down to small either.

Cronin: [Laughs] So like I'm, like I'm floored looking at some of the vega numbers, you know?

McIntosh: Yeah.

Cronin: Like, two million dollar vega numbers and I don't know if that's by point or one S-D, but either way it's huge.

McIntosh: Yeah.

Cronin: Uhm, and it's all, it's in big pockets. So it's got, you know, a big pocket of '07 and a big pocket of '08. And . . .

McIntosh: Yeah.

Cronin: . . . you know, the risk profile of each of those pockets is different from one to the other and it's, in each of those pockets, it's huge.

McIntosh: Yeah.

Cronin: So our, what's gonna happen sort of, it depends a lot on kinda where spot ends up when, you know, as we move through time.

McIntosh: Mm-hm.

Cronin: So I'm, I'm frankly pretty scared, but, you know, it is what it is. The book is huge and that's— we've, so that just translates into we've got a huge bet on.

McIntosh: Mm-hm.

Cronin: And so that will naturally cost you dough if the bet doesn't work out. And that's, that's not for me to say whether we want to have a huge bet on or not. That's, you know, Eric's and your call. and so. Uhm, there's noth— there's nothing sort of fundamentally flawed about the book. It's got some huge bets and, you know, they're either gonna pay off or they're not.

McIntosh: Mm-hm.

Cronin: But sort of then started looking through some of theta numbers, and, and you know, thinking about, oh, how do we get the theta down? And kind of where is the theta coming from? And that has just sort of inevitably led me to, you know, a feeling like a lot of the theta, or a good chunk of the theta, is just coming from valuation . . .

McIntosh: Yep.

Cronin: . . . mismatches.

McIntosh: Yep.

Cronin: So what we've done now is we've gone through and sort of pulled out and did, sort of created kind of heat map of all the significant bits, pieces of vega by month and then strike, and then are overlaying against that whether or not in that box, uh, relative to Totem at month end, we're overmarked and undermarked. And, and, like the first cut-out – we did some last night, took some more, looked at it again today – it's like incredibly systemic.

McIntosh: Mm-hm.

Cronin: Like everywhere where we happen to be short vega, uh, we are undermarked relative . . .

McIntosh: Yep.

Cronin: . . . to Totem. And everywhere we're long vega . . .

McIntosh: Yep.

Cronin: . . . we're overmarked.

McIntosh: Yep. Yep.

Cronin: Like that can't be coincidence.

McIntosh: No, exactly. And that's what I said, uh, two three months ago.

Cronin: It just can't . . .

McIntosh: No.

Cronin: . . . it just can't be anything other than like— I honestly find it hard to believe that he would go in and manually adjust everything. But we sort of went through and looked at some of his skews . . .

McIntosh: Mm-hm.

Cronin: . . . and so we looked at, you know, sort of his skew for Novs and a cr– his skew for Deces, and like the skews, you know, where, so where you see he's got big pockets of risk, the skews don't look right.

McIntosh: No.

Cronin: But the skews don't match up.

McIntosh: Yeah.

Cronin: So you look at the skew for, you know—

McIntosh: – Takes, it takes a jump in the wrong direction.

Cronin: Yeah, and it's not like a gigantic jump but it's just not consistent.

McIntosh: But it, but it, but it doesn't have to be. I mean, you know, a penny on this . . .

Cronin: Absolutely.

McIntosh: . . . book is a lot of money.

Cronin: [Laughs] Hey, you're telling me. And so, like you look at like Dec '07, Jan '08, Feb '08, March 08, you wouldn't think, you'd think the skews should look very similar.

McIntosh: Mm-hm.

Cronin: But they don't.

McIntosh: No.

Cronin: And, coincidentally, where they don't look the same is where we have big positions.

McIntosh: Yeah. Where you move from a long to a short.

Cronin: Yeah. So it just doesn't add up. Like it's, and you know again, I don't have— I only looked at it for two days and I don't, don't know Bob's business at all, but there's just too many things that don't add up.

McIntosh: Yeah.

Cronin: And so anyway, look at— well then you look at Optionable and we're taking in— supposedly independent prices from Optionable, and we're twenty-four percent of their revenue.

McIntosh: Yeah.

Cronin: If you exe out the revenue they generate from clearing, which they get from NYMEX and the revenue they generate from third parties, like the percentage of

the actual true brokerage activity that's going on at Optionable, I think we gotta be like seventy-five percent.

McIntosh: Yeah.

Cronin: We're involved in three-quarters of every trade they do.

McIntosh: Yeah.

Cronin: And so you can't, like, they're just feeding back our own prices.

McIntosh: Yep.

Cronin: It's insane.

McIntosh: Yeah. Which again is something I've been, you know, I was, I mean that's why I was pushing so hard to get Totem.

Cronin: Yeah, and then and the more that I look at kind of his skews and how they, and how our mismark relative to Totem lines up so perfectly against our positions.

McIntosh: Yeah.

Cronin: And how much volume we do with Totem—with Optionable.

McIntosh: Yeah.

Cronin: It's all adding up to the book's just not marked right.

McIntosh: But, but it's not only marked right, it's intentionally not marked right.

Cronin: Well and that's, yeah, I'm trying real hard not to pass any judgment as to the— as to the why. I really would be shocked if he's gone in and like every single data point here he's, he's, he's mismarked.

McIntosh: But, but when— but you just told me that.

Cronin: Yeah, so I'm wondering if the other possibility is, is just there's something flawed in their skew model.

McIntosh: Mm-hm.

Cronin: Like the model's just wrong. So Bob actually thinks he's doing OK trades but the market's filling them in because the model's wrong.

McIntosh: Yeah.

Cronin: And so, and so, and, you know, Optionable keeps feeding back our own prices. In fact, I'm, I'd be— you know, I don't, I don't want to go down this path, but I wouldn't be surprised if, you know, magically when we do a trade, the price we get back from Optionable is higher than where we did the trade.

McIntosh: Yep.

Cronin: Because I can't understand how we booked so much revenue last year, and I can't see us really unwinding any positions.

McIntosh: No.

Cronin: We just kept adding more and more and more . . .

McIntosh: Yeah.

Cronin: . . . and every time we added positions, PNL went up.

McIntosh: Yep.

Cronin: Like that just doesn't happen in the real world.

McIntosh: No.

Cronin: Uhm, you know, I can understand when vol was, was, was ramping up and that I could believe, but then it cratered and yet we still didn't lose any dough.

McIntosh: No.

Cronin: Like we actually continued to make money.

McIntosh: Well, it's cause, it's cause they kept adding more and more volume.

Cronin: Right. And then amazingly when we stopped him from adding any more volume, the losses started to mound.

McIntosh: Yeah, absolutely.

Cronin: So anyway, uh, I don't fee— I'm starting to feel a bit sick looking at the magnitude of these positions and the miskark, and, and, and, you know, I'm hoping Jeff finds something different than I do but he's sort of finding . . .

McIntosh: No.

Cronin: . . . exactly the same.

McIntosh: You're gonna find what we've been finding for the last eight months, and could never get anybody to believe us.

Cronin: How, how does— I just don't understand how Bob argues his way out of that.

McIntosh: He does. I mean, I mean you call him up today and I'm still wrong. I mean, I mean I, I know for a fact that he's telling Eric and, and Yvan because he, cause he, he told Danny that he was doing it, that the reason he's losing money is because of VaR and the fact that we made him put on positions to adjust his VaR.

Cronin: Yeah, that's horseshit.

McIntosh: It's absolute horseshit.

Cronin: He had a huge book already before he even started adding those positions.

McIntosh: Yeah, yeah.

Cronin: And then on top of that, I don't— like to be honest, I don't, I don't what the conversations were at the time when all that went on, but I find it pretty, eh, pretty odd that his view of reducing his VaR would be going and strapping on all kinds of theta.

McIntosh: Yeah.

Cronin: Like sure, that might get your VaR down, but that's not, that wasn't the spirit of what he was instructed to do.

McIntosh: No.

Cronin: Like if VaR is up there, that just means you got a big book and the risk is huge.

McIntosh: Yep.

Cronin: He didn't reduce the risk. He just gamed the VaR system and how it, it treats long gamma.

McIntosh: Yeah.

Cronin: So anyway, just, I, again I just find it hard to believe that if he, if he, if he knows it's wrong, or if there's actually something going on here, that he would be so, so vehement in his argument.

McIntosh: Yeah.

Cronin: Like you would think he'd be like sort of running looking for, looking for a new home.

McIntosh: Yeah.

Cronin: I, I, if I was him and that was true I'd, I'd have already resigned. I'd be at JP Morgan right now.

McIntosh: Yeah.

Cronin: And, and then be, I'd be badmouthing BMO, saying those guys don't know what they're doing, and so I jumped ship because they're so, they're so, they're too, too dumb to understand how good, how good I am.

McIntosh: Yeah.

Cronin: But if, you know, you're sort of being vehement right to when the ship is completely under the water . . .

McIntosh: Yep.

Cronin: . . . it doesn't make any sense. Unless he just doesn't realize that, that it's, that it truly is wrong.

McIntosh: But I mean how can, how I mean, I mean, if, if, even if you didn't, he didn't realize it was wrong, with all the information that we've given him and all of the data that he's seen, how can he not at least say, "I should investigate this"?

Cronin: That's a good question. Uh, then, uh, I think you're sort of talking about the Bob personality now but, but it's, you know, to, to, maybe it's just too hard for him to admit.

McIntosh: I mean, I mean, I mean if I came to you and said, look at all this. And you say, "Uh, Murray, you're full of shit." Which is what he's been saying now for a year.

Cronin: Yeah. Yeah, I mean that just wouldn't happen. I mean we would always— we would certainly at least investigate it.

McIntosh: Yeah.

Cronin: Well actually, I can tell you what would have happened. It would have been, let's just take the entire amount of the reserve you're recommending. I think you're full of shit but I'm gonna take it and because that's the, the way it has to work around here. And if I'm right, I'll get it all back over time, and if you're right, you know, we won't take any further losses.

McIntosh: Yeah.

Cronin: But I'm, but then I'd sure as hell be working hard to prove you wrong but I wouldn't argue with the taking of the reserve.

McIntosh: Yeah.

Cronin: It should have already been done. But, anyway, that's, I'm not, not my, not my call to make.

McIntosh: But when you have your conversations with, with Eric, you have to be as adamant as you've been in the last ten minutes about what you're finding.

Cronin: Yeah and I gotta–

McIntosh: I mean–

Cronin: –I gotta give it some more time to keep, to keep doing some more work.

McIntosh: I understand, I understand. But, but I mean, this has to stop, and when– whenever Market Risk says something, it gets offset by something Bob said and then management is sitting there going, “Which one of these guys is not telling the . . .”

Cronin: How does he, how does he . . .

McIntosh: . . . truth.”

Cronon: . . . what does he say to the fact that he's twenty-four percent of Optionable's revenue? And yet somehow these guys are independent? I think if we pull the plug on Optionable – we didn't do another trade with Optionable – they might go out of business. [Laughs]

McIntosh: Yeah. Well I mean I, I'm, I'm very much of the view that we should not be using their marks for our IPV.

Cronin: I don't, I don't see how we can–

McIntosh: – That, that, that we've got other, a few other quotes from other brokers and we've got ICE and TOTEM and that's all we should be using. Optionable should be totally disregarded.

Cronin: Yeah, I mean, if Bob wants to keep doing business with them, god bless him but . . .

McIntosh: Yeah.

Cronin: . . . I don't see how we could call that independent at month-end.

McIntosh: No.

Cronin: I'm amazed . . .

McIntosh: And, and—

Cronin: . . . that Deloitte didn't raise that as a huge issue.

McIntosh: Well they, again, Deloitte's just whitewashing, which is why they give me some stuff, but they didn't give me what I really wanted, which— which was clarity around . . . but, but, but th— but the hallway conversations, they're, they're totally on board with me, right.

Cronin: Yeah.

McIntosh: That this book is totally mismarked. Uhm, that, that they went to their sources, which are all Bob's main competitors . . .

Cronin: Mm-hm.

McIntosh: . . . and said "Who is Optionable?" None of them except for one had even heard of them . . .

Cronin: [Laughs]

McIntosh: . . . and the one that had heard of them, had done a bit of business with them, would never use them for month-end data. And yet Bob is telling all of us that these, these guys are the biggest guys in the market and they're being bought by NYMEX and they're just the biggest and the best.

Cronin: That's crap. Like if you look at—if you look at Optionable's 10k, in their 10k they actually talk about their competitors, referring to them all as much bigger, way better capitalized, much bigger brand recognition, better technology. It's an entire paragraph about how much better ICAP and Tullit and Pre—and Cantor are than they are.

McIntosh: Yeah.

Cronin: They certainly don't describe themselves as the best in the world, and when you generate sixteen million bucks of total revenue in a year, I find that hard to believe you're the best in the business.

McIntosh: Yeah, well I, I asked Danny to try to find out how much we paid them last year, and I, and I still don't have an answer to that but—

Cronin: Well it must have been about four bucks because their total revenue is sixteen and they disclosed – actually named us in the 10k, Bank of Montreal.

McIntosh: But, but, which is scary too, right?

Cronin: Yeah.

McIntosh: Because if any of the competitors have bothered to read it.

Cronin: Yeah.

McIntosh: I mean, they all already know, you know, just from, from having dealt with Optionable that every time they deal with Optionable the guy on the other side is BMO but . . .

Cronin: Yeah.

McIntosh: But.

Cronin: So anyway I'm—

McIntosh: But I mean that doesn't give you any— I mean Bob's always worried about people knowing what he's doing in the market place. Well, if, if ninety percent of your business is going through one broker, and, and, and that broker only deals with you basically, then everybody's gonna know that just about every time they see Optionable that it's Bob coming.

Cronin: Yeah and who knows? Maybe he, maybe they've, maybe they fly under the radar and people don't know, and if he wants to use them, that's fan— who cares? I couldn't— you know, we wouldn't have any issue with that. Maybe they are really good, but you can't use them for month-end pricing.

McIntosh: No. No.

Cronin: The only data points they have are yours. [Laughs]

McIntosh: Yeah, exactly.

[Transcription ends 12:15]

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[Call ends]